

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-02 PRS-01 AGRE-00 ITC-01

/100 W

-----260407Z 046298 /15

R 252334Z MAY 77

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 2384

INFO TREASURY WASHDC

UNCLAS MEXICO 08315

EO 11652: N/A

TAGS: EFIN MX

SUBJECT: COMMERCE MINISTER'S COMMENTS ON ECONOMY

1. SUMMARY: SOLANA HELD PRESS CONFERENCE ON MAY 24, TO MAKE POINT THAT RECENT ECONOMIC INDICATORS SIGNAL THAT MEXICO IS COMING OUT OF THE "DEEP HOLE" IN WHICH IT FELL DURING THE PERIOD SEPTEMBER 1976-APRIL 1977. END SUMMARY.

2. SOLANA'S MAIN ARGUMENT IN SUPPORT OF ABOVE CONCLUSION WAS REDUCTION OF TRADE DEFICIT IN FIRST FOUR MONTHS OF 1977 TO \$172 MILLION FROM \$982 MILLION IN YEAR EARLIER. EXPORTS IN JANUARY-APRIL 1977 WERE \$1,454 MILLION UP FROM \$1,125 MILLION IN YEAR EARLIER PERIOD. COMMENT: THOSE DATA MAY DIFFER SLIGHTLY FROM BALANCE OF PAYMENTS DATA. LAST WEEK, UNDER SECRETARY OF COMMERCE HERNANDEZ SAID THAT THERE WAS A \$21 MILLION TRADE SURPLUS IN MARCH. APPARENTLY TRADE ACCOUNT SLIPPED INTO DEFICIT AGAIN IN APRIL.)

3. SOLANA ALSO CITED 1.5 PERCENT INCREASE IN APRIL CPI

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AS SIGN THAT INFLATION RATE SLOWING DOWN AND FORESAW ONE DIGIT INFLATION BY YEAR-END. HE SAID THAT HIGH RATE OF INFLATION IN PERIOD SEPTEMBER 76-APRIL 77 NOW A THING OF THE PAST.

4. IN PERHAPS HIS MOST INTERESTING COMMENT, SOLANA POINTED OUT THE "MODERNIZATION" OF MEXICO'S TRADE POLICY,

TO CORRESPOND TO THE "NEW RULES OF THE GAME WHICH SUIT MEXICO WITHIN THE INTERNATIONAL MARKET." THE FIRST STEP, HE SAID, IS THE ELIMINATION OF IMPORT PERMITS AND THEIR SUBSTITUTION BY TARIFFS, MOSTLY HIGHER. PERMIT REQUIREMENTS FOR 440 ARTICLES HAVE ALREADY BEEN LIFTED (SEE MEXICO 04618). SOLANA TO ANNOUNCE FURTHER LIFTING OF LICENSING REQUIREMENTS SHORTLY ACCORDING TO ONE NEWSPAPER ACCOUNT.

5. SOLANA ALSO CITED TAX REBATES FOR EXPORTERS (CEDIS) AS A MEASURE TO IMPROVE TRADE ACCOUNT OVER THE LONGER-TERM, ADDING THAT THESE NOW APPLY TO 1,165 TARIFF CATEGORIES.

6. WHILE POINTING OUT "PROGRESS" DURING JLP'S FIRST SIX MONTHS IN OFFICE, HE SAID THAT IN THE LONGER TERM, INFLATION CAN ONLY BE OVERCOME BY INCREASED OUTPUT. THE TASK OF OVERCOMING INFLATION MUST BE DONE BY MEXICANS, HE NOTED, AS MEXICANS HAD CREATED THE INFLATION.

7. SOLANA CALLED ON THE PRIVATE SECTOR TO TAKE ADVANTAGE OF THE PRESENT SITUATION TO INCREASE THEIR INVESTMENT. HE SAID ONLY A FEW INDUSTRIALISTS HAD BEEN FULFILLING THEIR COMMITMENTS.

8. EXCELSIOR EDITORIAL LAUDED SOLANA'S STATEMENTS, BUT ENDED BY NOTING THAT THE REDUCTION IN THE TRADE DEFICIT INDICATES NOT THAT THE DOMESTIC OUTPUT IS INCREASING, BUT THE CONTRARY BECAUSE OF REDUCED IMPORTS. CALDERHEAD

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## Message Attributes

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Margaret P. Grafeld  
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